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ABSTRACT

This paper looks at the uses and limitations of performance pay, what sorts of decisions need to be made at various points, how decisions in one area are related to decisions in others, and what practical questions need to be answered if policy makers decide to put new or revised pay-for-performance systems in place. Specifically, the paper: (1) places compensation systems in the context of other types of rewards for performance; (2) reminds policy makers to clarify their goals for education improvements at the outset; (3) alerts them to the need for good teacher evaluation programs as well as the technical and procedural difficulties involved; (4) presents research findings about the effects of school organization and leadership on teaching quality; (5) recommends training teachers and administrators to meet new expectations; and (6) describes alternative incentive programs and establishes realistic expectations for them. (JD)

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INCENTIVES

Improving Teacher Quality Through Incentives

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INCENTIVES

Improving Teacher Quality Through Incentives

No. TQ84-3

By
Robert Palaich
and
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Education Commission of the States
Denver, Colorado 80295

October 1984

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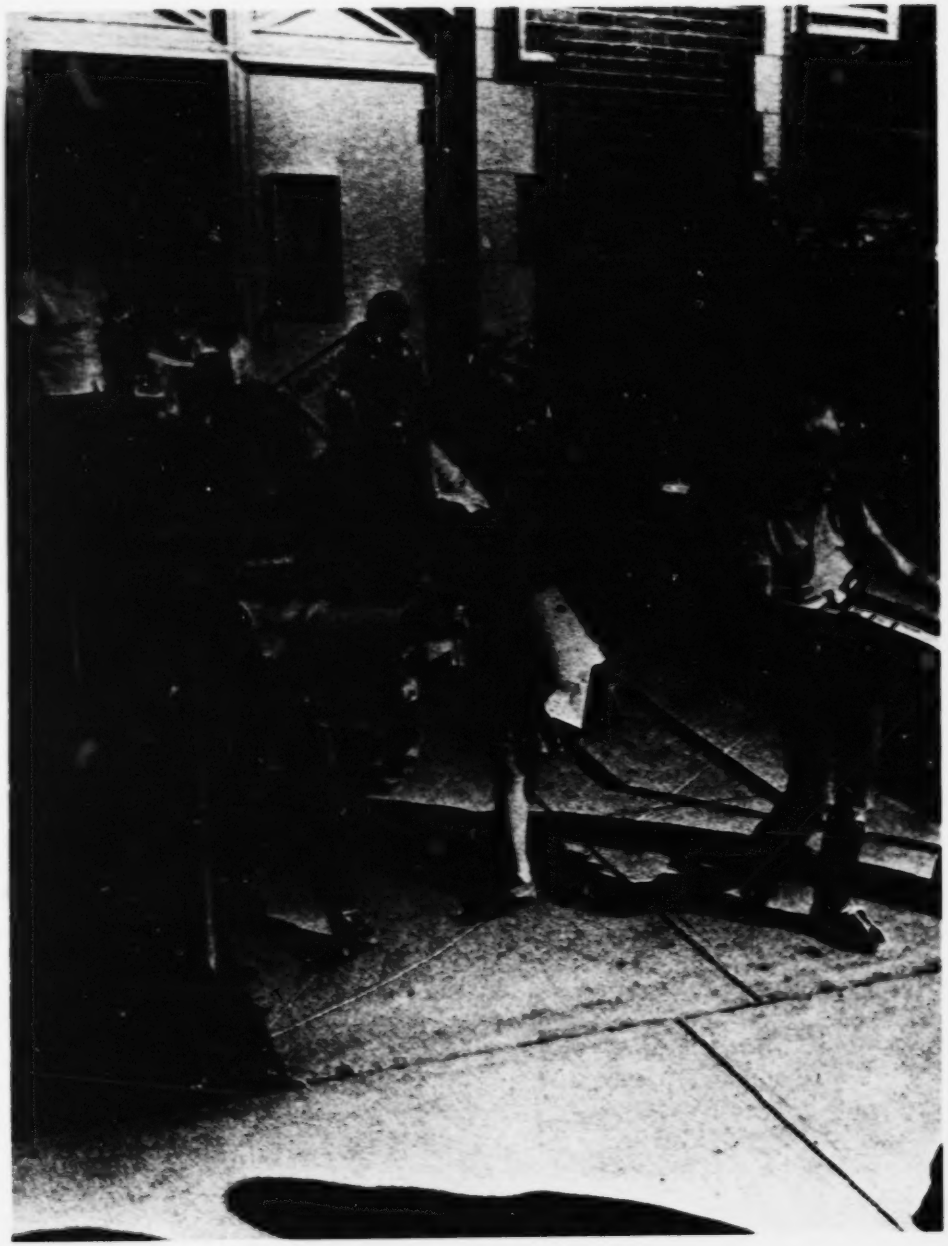
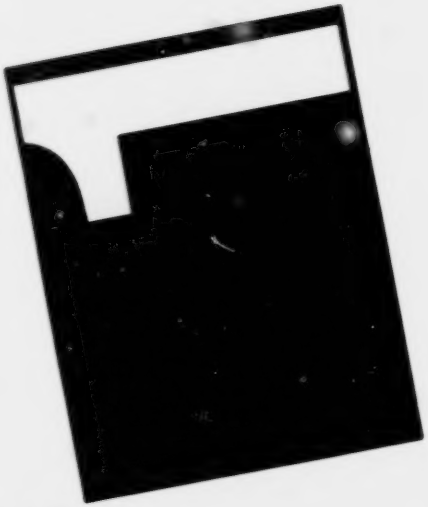
INTRODUCTION

Old systems for compensating teachers, new systems, hybrid systems, theory, practice, advantages and disadvantages are being widely and sometimes heatedly debated across the country. The liveliness of the debate, which has intensified since the release in 1983 of national reports on education, is both exciting and unsettling. Clearly, agreement is not easily achieved. The issues surrounding compensation are themselves complex, and compensation is only one of the many ways now being explored to improve education.





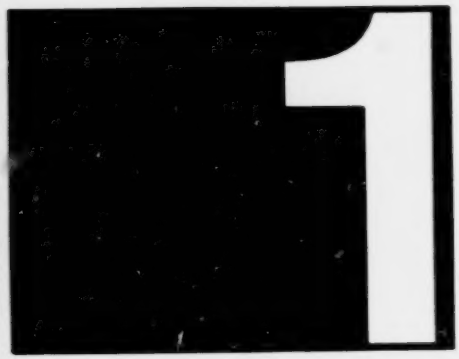
The debate is wide-ranging. But the purpose of this paper is limited. We look only at questions posed by compensation systems, not at the many other possibilities for improving education. More specifically, we look only at compensation systems that link performance with pay. We make no recommendations about whether a school system or a state should change its compensation system or adopt a particular type of compensation system.

What we have tried to do instead is explore how a school system or a state might make decisions about compensation systems. Taking as a given that interest in performance-based compensation systems now runs strong in many states and districts, it seems to us possible that public pressure may cause policy makers to adopt some version of performance pay prematurely while overlooking promising approaches that are not based on compensation. This paper looks at the uses and limitations of performance pay, what sorts of decisions need to be made at various points, how decisions in one area are related to decisions in others and what practical questions need to be answered if policy makers have decided to put new or revised pay-for-performance systems in place.

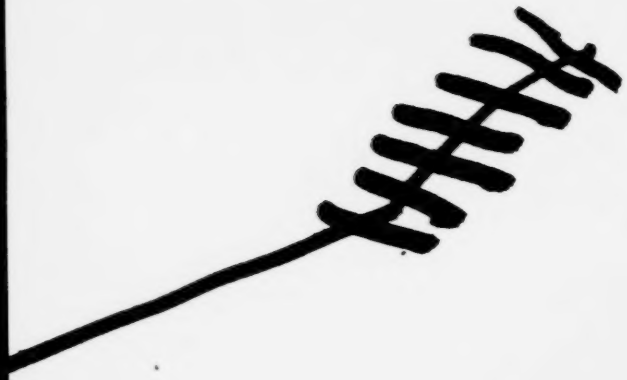
Specifically, this working paper will:

- **Place compensation systems in the *context* of other types of rewards for performance**
- **Remind policy makers to clarify their *goals* for education improvements at the outset**
- **Alert them to the need for good teacher *evaluation* programs, and to the technical and procedural difficulties involved**
- **Present research findings about the effects of *school organization and leadership* on teaching quality**
- **Recommend *training* teachers and administrators to meet new expectations**
- **Describe alternative *incentive programs* and establish realistic expectations for them**

1. COMPENSATION SYSTEMS IN CONTEXT



Creating a compensation plan that is acceptable to teachers, administrators and the community — and that improves teaching — is difficult. In part this is because there are many other ways to improve teaching besides adjusting compensation, and in part because monetary rewards are not the only rewards to which teachers (or any of us) respond. Summarized briefly below are some conclusions that researchers have drawn about the nonmonetary rewards that jobs offer and the ways in which the teaching environment affects a teacher's sense of reward.



Research in psychology on the relationship between motivation and the teaching environment has important policy implications for designing compensation systems that reward meritorious teaching.

First, intrinsic rewards, and not salary, may be the primary motivators of better performance in teaching. A low salary can discourage people from entering or remaining in the teaching profession, but higher pay alone will not lead to better teaching. It is, therefore, important for policy makers to explore other factors influencing teachers' job performance and satisfaction.

Second, teachers have a strong sense of fairness. Changes in compensation systems must be equitable or they will generate dissension and undermine morale. Teachers doing similar work should be compensated similarly, and differential treatment must be seen as justified.

Third, the value a person assigns to the results of his or her efforts and whether those results actually occur are critically important to motivation. This suggests that effective incentive systems offer rewards in areas valued by the individual. The more organizational and individual goals are consistent, the greater is the likelihood that the organization will be able to provide rewards that motivate the individual.

In **Schoolteacher,** Dan Lortie discusses the effect of the teaching environment on motivation. He observes that cultural and structural aspects of the teaching profession influence teachers to emphasize the psychic rewards in their work. For all the teachers Lortie interviewed, reaching students was most important in making them feel good about their jobs. Lortie also makes the point that teaching is a relatively "careerless" profession. Steps toward maximum pay are small and spread across the duration of a teacher's service. There is no natural progression of responsibility or change in duties as long as a teacher remains in the classroom. The current pattern of rewards favors recruitment over retention.

In a synthesis of research on motivation, Vroom suggests that school officials have five ways to reward teachers: **1.** wages, **2.** the satisfaction derived from expending energy on a task, **3.** the satisfaction produced in helping children learn, **4.** social interaction and **5.** social status. All of these rewards can be used to structure new systems for compensating teachers. Systems based exclusively on wages and fringe benefits, therefore, may be too narrow.

2. GOALS

Although deciding what a changed compensation plan should achieve seems an obvious first step, selecting a goal that has clear implications for the design of a plan is not easy for policy makers. In too many cases, there is pressure on them, especially on state legislators and members of school boards, to mandate a particular system in the belief that it will have beneficial consequences. To a large extent, the belief in the efficacy of merit pay — as well as other types of reward-for-performance systems — is unexamined. Expectations, usually neither clearly articulated nor subjected to public scrutiny, differ with the individual decision maker. It is no wonder that implementation falters and outcomes are unsatisfactory when there is a lack of agreement on ends to be achieved, uncertainty about the connection of the means to the end and selection of approaches unsuited to the ends.

A compensation system must be designed to meet a school district's goals, not adopted simply because a particular system is popular somewhere else. The first step in designing an incentive system for teachers, then, is to identify precisely what results the system is intended to achieve. The planners then must determine whether a compensation system can bring about these results. If it cannot, they should try to find other strategies that will achieve results, perhaps considering whether compensation could reinforce these strategies.

Clarifying goals at the outset will set the stage for selecting the right plan. Policy makers must first identify the conditions they want to change. Does the impetus for change come from a serious problem in the school system, such as poor student performance on standardized tests, high dropout rates or inability of graduates to get jobs or go on to college? Is there dissatisfaction within the teacher work force, exodus of experienced teachers, inability to attract new teachers, high absentee rates and poor morale? Then again, is there desire within the community to reward

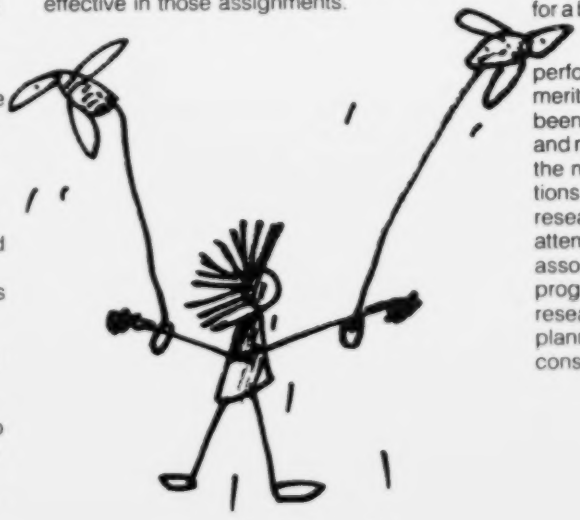
outstanding performance, to encourage teachers to maintain and renew their skills, to prevent burn-out of competent teachers? No single approach is likely to respond to all of these distinct goals.

Goals for compensation systems based on teacher performance can be divided into at least four discrete groups: improving teaching and learning, improving schools as organizations, changing characteristics of the teacher work force and strengthening community confidence in schools. Objectives in each group can be quite diverse, so it is necessary to set priorities among potentially competing policy objectives.

Goals of improving teaching and learning are at the heart of the debate on reward-for-performance systems. Establishing standards for teaching and learning and procedures for measuring performance against these standards is difficult, time-consuming and controversial. However, since most of the interest in rewards for performance is rooted in the desire to reward teaching that promotes student achievement, virtually all states and school districts considering pay system changes need to set these kinds of goals. Plans that fail to address teaching and learning goals are likely to disappoint the public because expectations for improvements in this area are widespread.

Other goals focus on the school as an organization, rather than on individual teachers and students. Two typical objectives are to make schools more effective places to learn by changing the school climate and to equip schools with problem-solving skills. A reward-for-performance system can be one element in a comprehensive school improvement program, a means of reinforcing organizational change rather than an independent policy. Although the system could still reward individual performance, it could also provide incentives for activities that promote schoolwide goals. Such a reward system would, for example, recognize team efforts to a greater degree than a system focused on individuals.

Changing the composition or distribution of the teacher work force is a third type of goal. Higher pay may make a school district more attractive to outstanding teachers or induce teachers to accept assignments that are considered difficult or unattractive, such as teaching in troubled schools or rural areas. Differential pay may also attract teachers into subject areas where there are shortages or encourage them to retrain to meet a district's needs. Some people argue that staff distribution goals should not be confused with rewards for performance. We include them for two reasons: they **are** commonly confused in public debate about performance-based pay, and they raise similar issues of teaching quality and motivation. For example, a district needs to consider whether teachers responding to higher pay for difficult assignments will be effective in those assignments.



Another goal may be to align schools more closely with community values. Performance-based pay may reflect a community's values, or make it prouder and therefore more supportive of its schools. Community aspirations for the school system play a large part in determining the kind of compensation plan that will work.

Effective performance-based pay is not inexpensive: insignificant rewards will not inspire significant changes in performance. Rewarding a very small proportion of the teaching force may be viewed as fair, but it will not consistently elicit outstanding effort by large numbers of teachers. It will not be possible for teachers to improve their performance significantly if they lack the knowledge, opportunity and conditions to teach effectively. Providing staff development programs and improving working conditions may be desirable not only in themselves but also necessary for any performance-based reward system to work. Many would argue that raising base salaries is a necessary first step to increasing quality. Yet, because basing pay on performance is often seen as a means of holding teachers accountable, instituting a performance-based compensation system may be a necessary strategy to gain support for a broader program of school improvement.

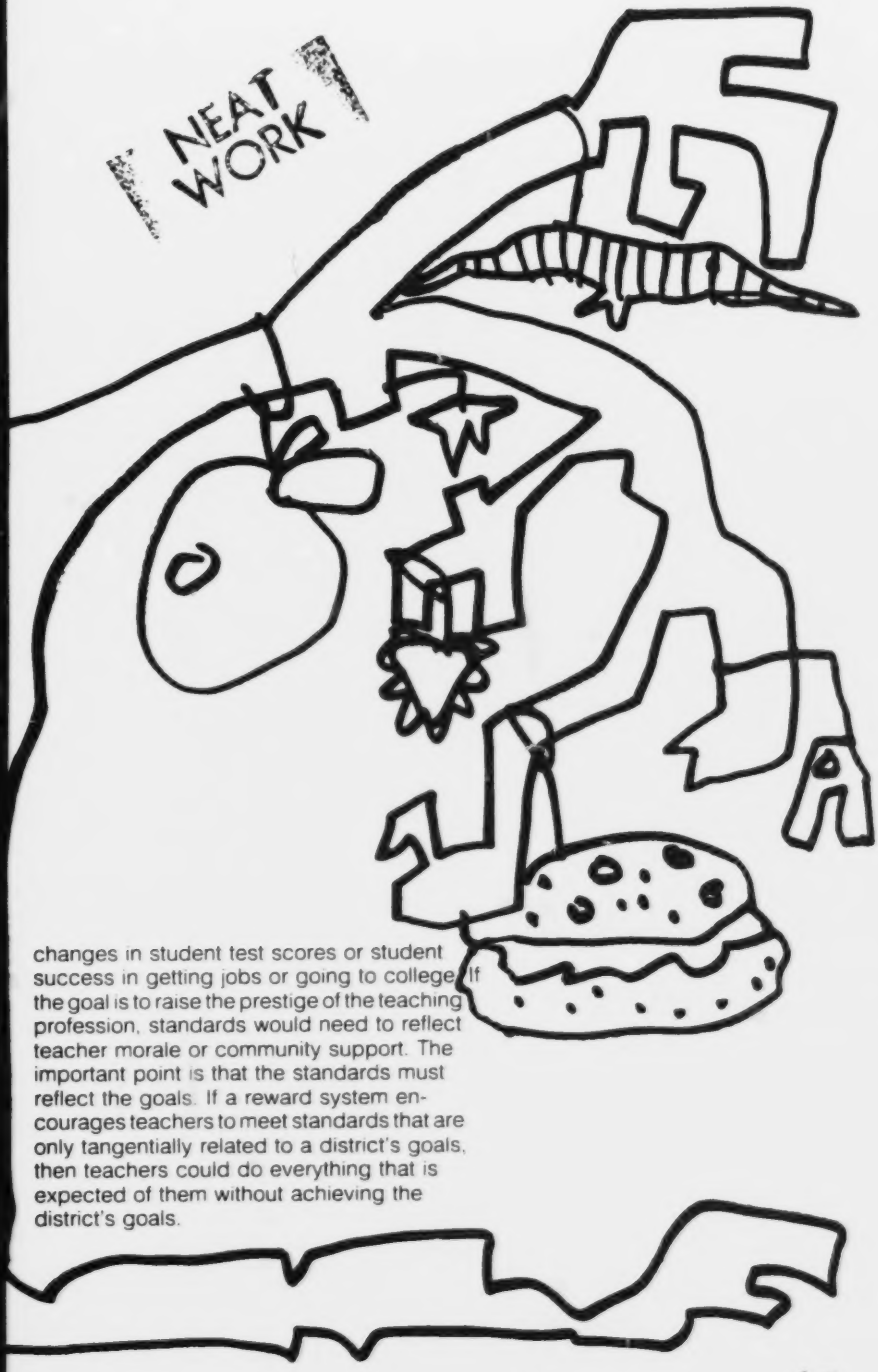
It should also be kept in mind that performance incentive systems, except for merit pay, are quite new. Little research has been done on systems such as career ladders and mentor-teacher programs in practice. For the most part, the justifications and expectations for such programs are extrapolated from research done on teaching and schools, as attempts to embody the characteristics associated with effectiveness. As more such programs are implemented, a base for research will accumulate; in the meantime, planners should be prepared for unanticipated consequences.

3. COMPONENTS OF REWARD-FOR-PERFORMANCE SYSTEMS

Pay-for-performance systems have a number of components in common, no matter how they are structured and what goals they are designed to reach. Examined in this chapter are three of these components: **1.** performance standards and the procedures used to evaluate teachers and administrators, **2.** the changes in school organization that should accompany pay-for-performance plans and **3.** training for the people who will take on new responsibilities once a new compensation system is in place.

Performance Standards and Evaluations

Standards are set for ideal behavior, against which actual behavior is measured and rewarded. Different goals imply different standards. A few examples will illustrate the possibilities. If the goal of a teacher compensation plan is to improve teaching, a district needs to identify behavior that constitutes good teaching and reward teachers for mastering that behavior. If the goal is to raise student achievement, appropriate standards for evaluating teachers could be



changes in student test scores or student success in getting jobs or going to college. If the goal is to raise the prestige of the teaching profession, standards would need to reflect teacher morale or community support. The important point is that the standards must reflect the goals. If a reward system encourages teachers to meet standards that are only tangentially related to a district's goals, then teachers could do everything that is expected of them without achieving the district's goals.

Setting standards for teacher performance is difficult and controversial. One of the traditional arguments against instituting reward-for-performance plans has been the lack of general agreement on what constitutes good teaching and how to measure it. Using student test scores to evaluate teachers for rewards is so fraught with technical and legal problems that one author considers it useless. Many studies support the idea that the school management should accept responsibility for student outcomes, leaving teachers responsible for competent teaching under prevailing conditions.

If teachers cannot be evaluated in terms of their effects on students, perhaps they can be evaluated in terms of their skill in using the effective teaching techniques identified in recent research — for example, sharpening classroom management skills, enforcing explicit standards for classroom behavior and the close monitoring of student progress. Studies over the past 10 years show areas of agreement that can serve as foundations for developing standards. In addition, many states and school districts have specified standards for teacher competency in their certification and evaluation processes. Since many expectations for teachers are the same, districts can borrow from one another's experience or cooperate in establishing standards, varying emphases to reflect community values.

Inseparable from standards of performance are systems of evaluating performance. Evaluations of teachers and administrators must demonstrably relate to the standards adopted or the evaluation system will lack credibility. Decisions must be made about who will conduct evaluations, how often they will be conducted and what factors will be evaluated. The question of how evaluations will be used must also be settled at the outset. Will they be used formatively (to enable or require teachers to make specific improvements) or summatively (to determine rewards and future employment)? Summative evaluations may not yield adequate information for a comprehensive formative program.

Here, too, guidance is available to local districts from research on performance evaluation and practices in states and school districts that have installed sophisticated systems. It has been shown to be important that the people evaluated be involved in setting standards and planning the evaluation process. The evaluation system must accurately measure meaningful teaching skills, be perceived as free of favoritism and meet methodological tests of validity and reliability. The teachers being evaluated must be fully familiar with the standards and process, and they must have the opportunity to master the skills they are expected to demonstrate. Finally, the evaluation system must include an appeals process for people who feel they have been incorrectly evaluated.

The School Organization

A new compensation system should represent a major change in the work environment and organization. According to Opsahl and Dunnette, "the installation of an incentive plan is not, and can never be, an isolated event. Frequently, changes in work methods, management policies and organization accompany the changeover, and it is difficult to determine the amount of behavioral variance that each of these other events may contribute." Changes in school leadership, patterns of relationships among teachers, administrators, staff and students, and working conditions may therefore be essential to the success of a new compensation system.

Research on effective schools identifies a school environment in which teachers can meet standards set for them. One important characteristic of effective schools is that curriculum and instructional expectations are "tightly coupled." This means that school goals, grade-level and classroom instructional objectives, instructional content and activities, and measures of pupil performance are all carefully integrated. Students are exposed to a well-ordered curriculum, and the instructional efforts of teachers are consistent and cumulative.

A second characteristic of effective schools is a consensus that the work of teachers is shared work, not work done exclusively in the isolation of the classroom. In successful schools, staff share information on the craft of teaching; in less effective schools, individual staff tend to resolve education problems. Extensive interaction and the expectation that it will occur are both powerful mechanisms for generating commitment to shared values. A further expectation in effective schools is that all teachers, not just beginning teachers, will continue to improve. The expectation is met through continuing analysis, evaluation and experimentation with instructional practices.

A compensation system that rewards teachers for performance should increase the sense of the school as a community, building shared values and a shared culture by rewarding activities that promote organizational goals as well as individual teaching efforts. Involving teachers in schoolwide planning and decision making is one effective way to motivate them to achieve school goals. Teachers are clearly the best source of advice on eliminating obstacles to effective teaching such as classroom interruptions and discipline problems.

Changes in school organization can both reinforce the behavior rewarded by a new compensation system and also serve as incentives themselves to the extent that they make teaching intrinsically more rewarding. Some changes can be virtually cost-free, such as minimizing classroom interruptions; others require additional resources such as released or extended time for teachers to take part in planning and professional development.

Against the progress that has been made in setting standards and designing evaluation processes must be set a substantial body of literature that criticizes even the most sophisticated appraisal systems. Criticisms include charges that formal observations of teachers tend to elicit peak performance rather than typical classroom behavior. Evaluations that focus on teacher behavior neglect the outcome of that behavior — student performance. Competency testing of teachers can

lead them to develop the qualities tested to the exclusion of more elusive, yet valuable, qualities, and it has a dampening effect on experimentation and change. Rooting out all sources of subjective bias is difficult. It is extremely demoralizing for teachers to have important rewards depend on evaluation systems they do not consider fair and relevant.

Performance appraisal processes in private industry have encountered many of the same difficulties. Most common have been complaints about **1.** the lack of communication about performance objectives between supervisors and employees, **2.** the feeling that evaluation processes encourage people to avoid difficult goals and **3.** concern that evaluations tend to emphasize individual rather than team performance.

Given the disagreement about the accuracy of evaluations and also the inevitability of evaluation (since decisions to hire and fire must be made, regardless), states and school districts should try to base plans on research and the best of current practice. The difficulties of choosing an evaluation system should not be used as an excuse not to develop one. Once a district has decided that it has enough information, it should go ahead with the best possible system in light of current knowledge. Pragmatic issues then become important. Would the standards and methodology be legally defensible if an aggrieved teacher brought suit? Is the cost of carrying out evaluations supportable in the long run?

Given an imperfect system, do the benefits justify the effort, or does the system drain attention and resources away from more promising approaches to improving education?

The degree of technical perfection required in an evaluation system varies with the use to which evaluations are put. At one extreme, evaluations to determine firings and promotions need to be legally defensible. Evaluations that are used formatively, to help teachers improve their skills, may be less methodologically stringent. A good evaluation system tied to a staff development program may change across-the-board teacher quality more than a performance-based compensation system that lacks opportunities for staff development.

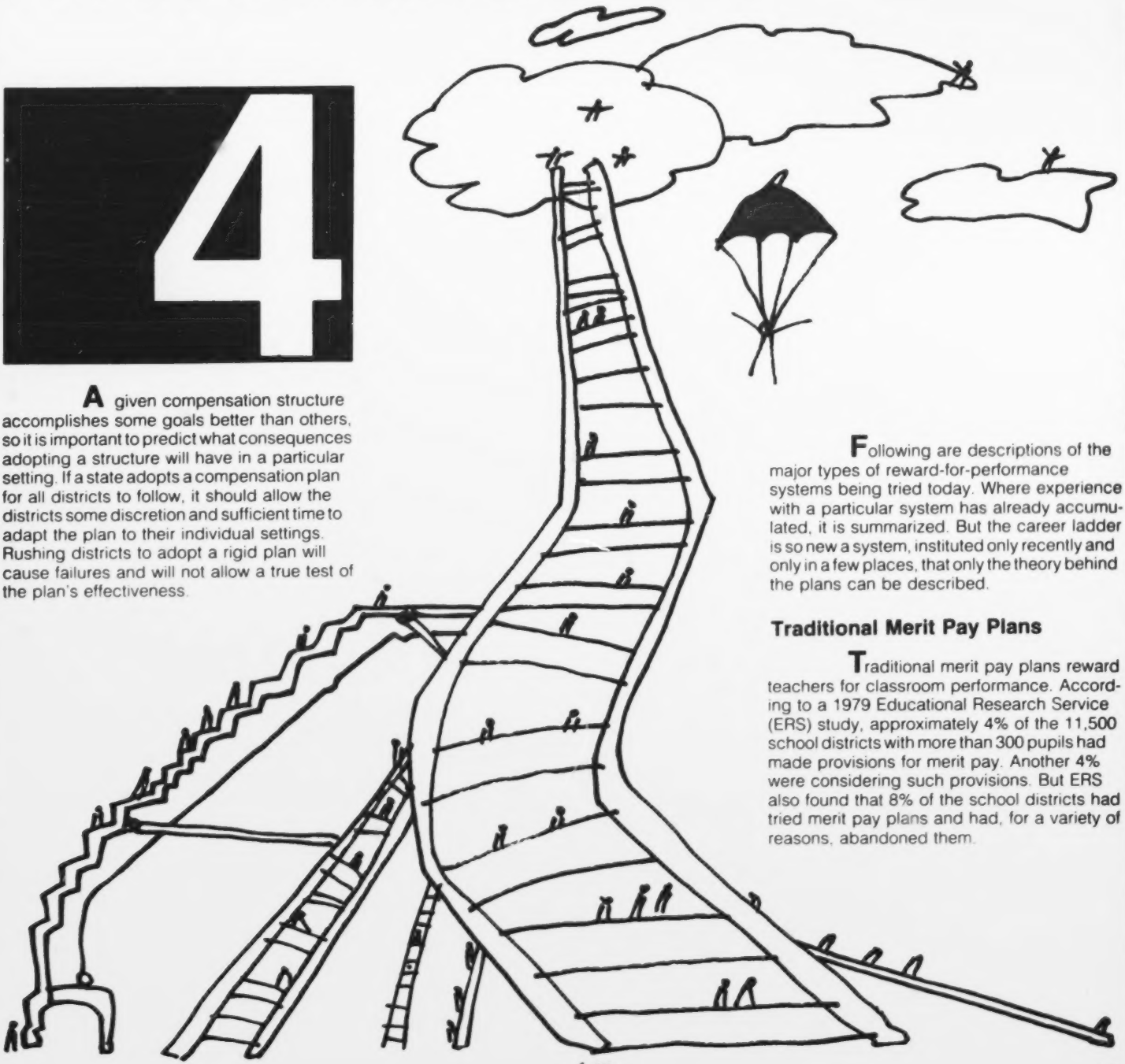
Training

A reward-for-performance system brings administrators, supervisors and teachers new responsibilities for which they need adequate preparation. The people who carry out performance evaluations clearly require training in skills such as supervision, clinical observation and advising. School principals, who traditionally have had the major responsibility for evaluating teachers, commonly acknowledge their difficulties in performing evaluations or in defending their conclusions in objective terms. If evaluation processes call for peer review, teachers will need training.

Changes in responsibilities offer the opportunity for staff development programs or perhaps make these programs necessary. If teachers are expected to contribute to a schoolwide progression of learning, they need training in certain consistent methods and content. Teachers also need training in new research-based concepts if they are to be evaluated on their mastery of these concepts. If better school/community relations are a priority, training parents and community members to participate in the education process may be desirable.

Often traditional inservice training is ineffective because it does not give teachers a chance to try out new skills, learn from their experience in real classroom settings and become comfortable enough with new skills to use them as needed. So it is important that the training offered to teachers and administrators in the skills needed to carry out a pay-for-performance system be substantial enough to be effective.

4. TYPES OF COMPENSATION STRUCTURES



A given compensation structure accomplishes some goals better than others, so it is important to predict what consequences adopting a structure will have in a particular setting. If a state adopts a compensation plan for all districts to follow, it should allow the districts some discretion and sufficient time to adapt the plan to their individual settings. Rushing districts to adopt a rigid plan will cause failures and will not allow a true test of the plan's effectiveness.

Following are descriptions of the major types of reward-for-performance systems being tried today. Where experience with a particular system has already accumulated, it is summarized. But the career ladder is so new a system, instituted only recently and only in a few places, that only the theory behind the plans can be described.

Traditional Merit Pay Plans

Traditional merit pay plans reward teachers for classroom performance. According to a 1979 Educational Research Service (ERS) study, approximately 4% of the 11,500 school districts with more than 300 pupils had made provisions for merit pay. Another 4% were considering such provisions. But ERS also found that 8% of the school districts had tried merit pay plans and had, for a variety of reasons, abandoned them.

Policy makers doubtless can learn from the experience of school districts that have instituted merit pay plans. In Midland, Texas, for example, about 80 of 1,000 teachers each year receive bonuses ranging from $1,000 to $4,000. Starting salaries of $14,600 (slightly above average) and evaluations that are based on teaching performance contribute to the success of the plan. The wealthy suburban school district of Ladue, Missouri, near St. Louis, has had a merit pay program in operation for 30 years. Evaluation criteria focus on successful classroom teaching but also consider relationships with students, administrators and parents. The program in Ladue was put together with the assistance of the teachers in the district.

Before 1983, states took no action in the area of traditional merit pay. In the summer of 1983, however, Illinois passed legislation to set up a "master teacher" plan that resembles traditional merit pay plans. Between 300 and 500 teachers nominated by teachers, parents, school administrators or school board members are given special recognition each year in a process that resembles the national "Teacher of the Year" program. Each teacher recognized receives $1,000 and three days' released time to advise other teachers and develop resource materials.

Nonetheless, a recent Urban Institute study found no evidence that merit pay brought about any systematic change in teaching quality; it also found that merit pay has deleterious effects in many cases. Other researchers found unsuccessful merit pay plans. For example, Montgomery County, Maryland, dropped a merit pay plan several years ago because the plan lowered teacher morale and lacked an appropriate evaluation process to distinguish meritorious teachers. The Kalamazoo school district in Michigan has abandoned its merit pay plan because of administrative problems.

ERS found that successful plans include effective evaluation procedures, are administratively workable and have the support of management and the school board. Staff involvement in the development of the plan is essential. Plans must be adequately financed and available to all teachers. The teachers who earn rewards must be demonstrably superior, which requires valid measures of teaching results and assessment measures that are objectively and consistently applied. ERS also identified several factors associated with unsuccessful merit pay systems: unsatisfactory evaluation procedures, administrative problems and overburden, staff dissension, and inadequate funds or quotas restricting the number of teachers eligible to receive awards.

ERS conclusions about traditional merit pay plans suggest that the evaluation process is critical. Evaluations must take all aspects of the teaching process into consideration — teaching practices, classroom management and results. Teachers, administrators and board members must all participate fully in developing the evaluation plan. Administrators, teachers and board members must be committed to merit pay if it is to be successful.

The Career Ladder

A career ladder delineates several stages in teaching careers. Typically, beginning teachers are required to take at least one step up the ladder to continue teaching; thereafter, teachers can choose whether to take further steps. Each step usually brings a substantial increase in pay beyond salaries set by schedules based on credentials and tenure. With each increase in pay comes increased responsibility (e.g., assisting new teachers, evaluating other teachers or revising curricula). Also typical is an opportunity for teachers on the upper rungs of the ladder to extend 10-month contracts by 1 or 2 months for extra pay. Promotions to higher levels of responsibility are contingent on evaluations of classroom performance.

A career ladder offers teachers some important advantages. They need not turn to administration, part-time employment or other professions to earn enough money to support their families. The performance evaluation process is systematic over time and can include both peer and management review. The effect of the system is to reward good teaching. The system can foster collaboration among teachers, which can increase classroom innovation and lead to a reorganization of the way education services are delivered. Career ladders may also make teaching more attractive by making it a true profession in which responsibility, salary and prestige increase over time.

In 1984–85, the Charlotte-Mecklenberg (North Carolina) school district will institute a career ladder plan that substantially changes tenure requirements and job assignments at various stages in teachers' careers. The length of teachers' contracts and their job assignments will vary at each of five levels, depending on the desires of the teacher and the school. As teachers move up the ladder, they will generally take on more responsibilities for curriculum, training, research and evaluation, although they could opt to spend most of their time in the classroom.

A panel of administrators and teachers will evaluate teachers.

Early in 1984, the Tennessee legislature adopted a proposal that will restructure career opportunities for teachers somewhat differently. The new law defines a statewide plan but allows teachers to choose not to participate. It defines five levels of teachers, from entry-level probationary teacher to Career Level III. Members of a teacher certification commission, composed of career teachers, other educators and lay people, will observe all teachers in their classrooms and examine student progress; the state board of education will base certification decisions on the commission's recommendations. Teachers' salaries have been increased 10% across the board. The statewide salary schedule will continue to be the basis for teacher pay above the probationary level. Teachers in the top three steps can earn supplements ranging from $1,000 to $7,000, and they can also extend their contracts. Unlike merit pay plans that link a teacher's pay in a particular year to a single evaluation or the tested achievement of that year's students, the Tennessee career ladder allows consistently outstanding teachers, judged primarily by fellow teachers, to move to higher professional levels and higher salaries.

In the summer of 1983, California took a step in the direction of a career ladder by instituting a "mentor teacher" program. Up to 5% of the teachers in a district can be selected as mentor teachers. A committee, composed mainly of teachers, will make nominations for school board confirmation. Mentor teachers will serve for three-year periods and receive additional stipends of $4,000 per year; their duties will include curriculum development, staff development and supervision of beginning teachers.

Several states are encouraging school districts to develop career plans by offering them financial incentives.

Personnel Distribution Incentives

Another popular type of compensation system, performance pay, is a system that provides incentives to teachers to meet a state's or district's personnel distribution objectives. If, for example, a district or state has a severe shortage of mathematics teachers, it might offer a bonus to teachers who recertify themselves in mathematics. Or it might offer bonuses to teachers who teach in particular settings, like low-achieving or rural schools. This type of incentive is fairly easy to set up, and it has generally produced satisfactory results. The measurement criteria are clear, as are the rewards.

The best known plan of this type is the Houston Second Mile Plan. The Houston Independent School District each year awards grants ranging from $150 to $2,000 to teachers who further their professional development, have good attendance records, teach in high-priority locations and teach in subject areas for which there are insufficient numbers of teachers. The district also gives bonuses to teachers in schools where students meet or exceed predicted test scores. The focus on schools lets administrators avoid evaluating individual teachers.

State-sponsored plans to provide personnel distribution incentives are a relatively recent phenomenon. The purpose of state plans is most often to retrain teachers for certification in shortage areas. According to a recent survey, 20 states have plans of this type. Florida, for example, has appropriated $9.6 million to start an intensive summer institute for retraining elementary and secondary mathematics and science teachers. In Indiana, $150,000 has been appropriated to cover tuition costs of teachers retraining in critical shortage areas. This past year, Mississippi instituted a loan program in which teachers who spend three summers retraining in mathematics or science are forgiven one summer's worth of loan for every semester they teach after retraining.

Practical Considerations

Compensation systems of whatever type must be designed with practical considerations in mind. How much will the system cost annually in salaries, benefits, released time, tuition reimbursements and other rewards? What are the annual costs of conducting evaluations? What are start-up costs? Is it likely that the state and community will continue to provide the necessary revenues? Alternatively, what kind of changes can be instituted with the resources likely to be available? Will these resources support meaningful incentives and rewards, or do they run the risk of being trivial?

5. CONCLUSION

Linking policy goals to policy instruments may not always be easy, but it is essential to the success of pay-for-performance plans. Described briefly below are some of the complexities a state or school district might encounter if it sets improving teaching as one goal of a pay-for-performance plan. Following this example is a recapitulation of several cautions about pay for performance that have been raised in recent years.

An Example

One of the most common goals for pay for performance is to improve the quality of teaching. Once that goal has been adopted, a state or school district needs to decide whether to focus its resources on immediate measures to upgrade the existing work force or long-term measures to attract better people into teaching.

Immediate measures would include most of the incentives and rewards discussed in this paper. Annual bonuses to outstanding teachers can be tried as a way to motivate teachers to perform better, although the research described in this paper suggests that bonuses for individuals are probably not an effective way to permanently change the way most teachers perform. Regular evaluations of teachers, tied to staff development programs to remedy deficiencies and inculcate new

skills, can be effective in improving the competence of large numbers of teachers. Permitting excellent teachers to evaluate and train other teachers by means of a career ladder structure is another way to raise overall quality. Improving working conditions and eliminating problems in the schools that make teaching difficult may also be effective. Which approach or combination of approaches is selected depends on the district's circumstances and on what the planners believe about teacher motivation and the conditions that encourage effective teaching.

Long-term measures would be intended to attract a different type of person into the teaching profession. These measures might include offering incentives to college students considering whether to become teachers. If the reason that students are not going into teaching, however, is more complicated than simply inability to pay for college, offering scholarships or loans may not change who enters the profession. So other policy instruments may need to be considered as well, like market-sensitive salaries, performance-based compensation, and grants and sabbaticals. These incentives, as well as career advancement, enhanced responsibilities and improved working conditions should make the teaching profession more attractive. Choosing options that address the most important causes of disaffection with teaching is quite important. In any case, it will be a long time before results are seen in the quality of teaching.

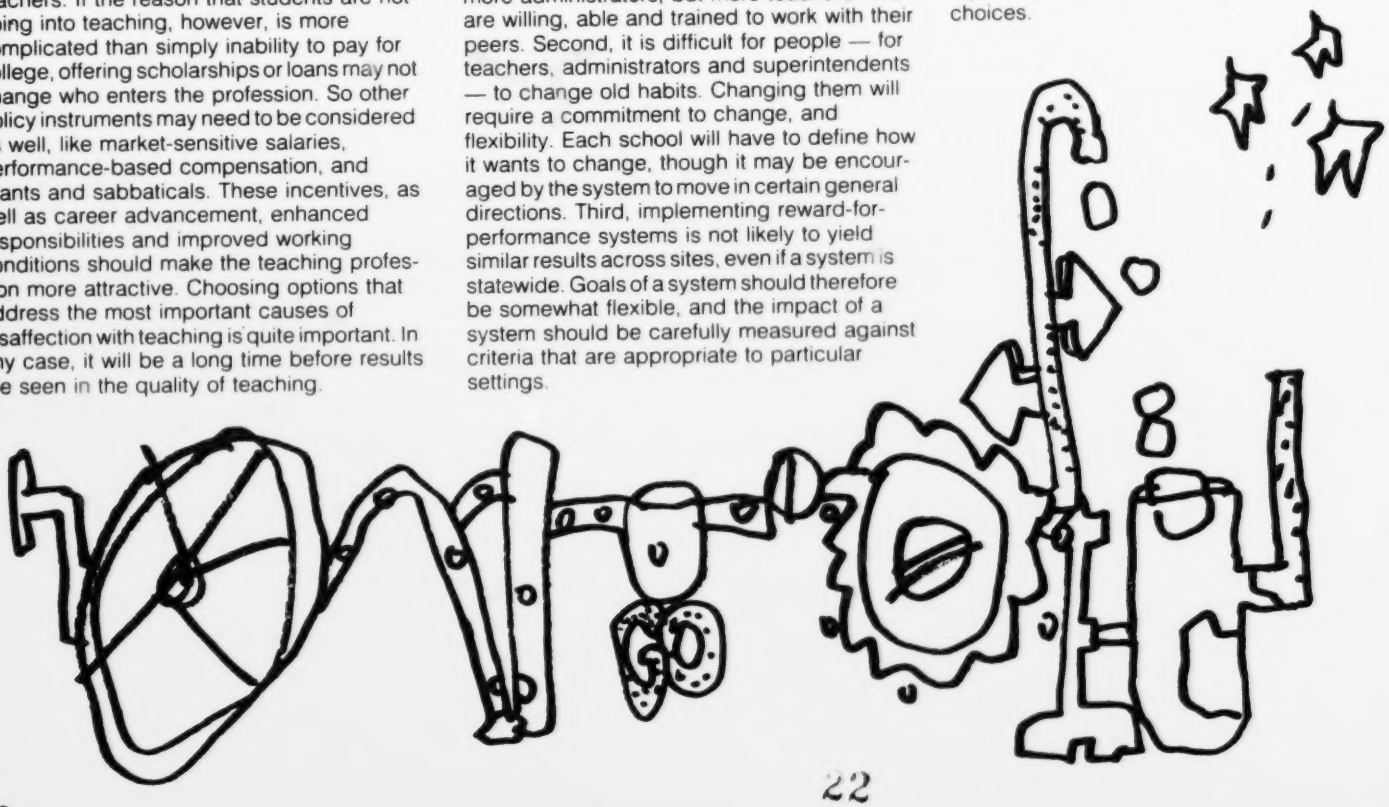
Long-term career enhancement and short-term evaluation, training and other improvements are both likely to raise the quality of teaching. The question states and districts must answer is which sorts of measures, or which combination, will do the best job of raising the quality of instruction while controlling costs.

Some Cautions

The literature of the past 10 years on local education change strikes several cautionary notes. First, changing teaching to a more closely supervised profession will require a great deal of manpower — not necessarily more administrators, but more teachers who are willing, able and trained to work with their peers. Second, it is difficult for people — for teachers, administrators and superintendents — to change old habits. Changing them will require a commitment to change, and flexibility. Each school will have to define how it wants to change, though it may be encouraged by the system to move in certain general directions. Third, implementing reward-for-performance systems is not likely to yield similar results across sites, even if a system is statewide. Goals of a system should therefore be somewhat flexible, and the impact of a system should be carefully measured against criteria that are appropriate to particular settings.

For these reasons, and for the others given elsewhere in this report, it seems essential that pay-for-performance plans should not be adopted wholesale; rather, they should be thoughtfully tailored to goals that are themselves considered carefully. The various components of plans should be designed with those goals in mind, and they should mesh smoothly with one another. Also complicating choices about pay for performance is the fact that the three major types of pay-for-performance compensation structures now being used have distinct advantages and disadvantages.

In summary, if policy makers choose to institute pay-for-performance systems, they then face numerous other choices. The information presented in this report should help organize these important choices.



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7. **Evaluating Teacher Incentive Systems** by Steven M. Jung, American Institutes for Research (TQ84-7)

   Jung develops a conceptual framework for evaluating teacher-incentive systems. A performance-based system, he says, bases rewards on behavior rather than on added responsibilities, and stated goals must mesh with goals in practice, if evaluations are to be valid. Jung also examines assumptions about teaching excellence and the process components of incentive systems.

8. **School Organization and the Rewards of Teaching** by Tom Bird, Center for Action Research, Boulder, Colorado (TQ84-8)

   Bird focuses on how to organize schools and

school settings to encourage better teaching. He describes organizational schemes that encourage staff to share understandings and techniques, help each other to improve and use research findings to test new methods. He suggests that teachers and administrators be trained as role models, and recommends that experimental research applications be supported at the state level.

9. The Costs of Performance Pay Systems by Kent McGuire, Education Commission of the States, and John A. Thompson, University of Hawaii (TQ84-9)

Using two different evaluation schemes, the authors simulate the costs of merit pay, career ladders and extended contracts to show how costs — none of them prohibitive — vary with plan design. They procede the simulations with a thorough discussion of each cost factor involved.

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